SESSION OF 2020

SUPPLEMENTAL NOTE ON SENATE BILL NO. 225

As Amended by Senate Committee on Ways and Means

Brief*

SB 225, as amended, would amend law concerning the hospital provider assessment (assessment) known as the Healthcare Access Improvement Program (HCAIP).

The bill would make the following changes in the assessment:

- The annual assessment rate would increase from 1.83 percent to 3.0 percent;
- Taxable revenue would expand to include outpatient net operating revenue;
- The assessment would be based on the net operating revenue for the hospital's fiscal year three years prior to the assessment year; and
- Distribution of assessment revenues generated from Health Maintenance Organizations would no longer be included in the assessment law.

In addition, the selection criteria of the Healthcare Access Improvement Panel (Panel), which administers HCAIP, would be modified, as follows:

- The members appointed by the Kansas Medical Society are no longer required to be licensed to practice medicine or surgery; and

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

- A member would be appointed by the Community Care Network of Kansas instead of the Kansas Association for Medically Underserved.

The bill would require all disbursements related to HCAIP be paid from moneys appropriated to the Healthcare Access Improvement Fund (Fund) and would further provide no State General Fund appropriations be used to supplement the Fund. On July 1 of each year, the Kansas Department of Health and Environment (KDHE), with the approval of the Panel, would adjust the disbursement process to ensure the amount of disbursements do not exceed the amount of funds appropriated to the Fund. In addition, the bill would require the annual report created by the Panel provide evidence that the disbursements for HCAIP have been made in accordance with disbursement provisions of the bill and are budget neutral to the State General Fund.

The bill would also require KDHE to submit any information necessary to the federal Centers for Medicare and Medicaid Services (CMS) to gain approval to implement the changes directed by the bill and require the Secretary of Health and Environment to certify such approval and publish notice of approval in the *Kansas Register*.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator Denning.

In the Senate Committee hearing during the 2019 Session, a representative for the Kansas Hospital Association provided proponent testimony, stating that the proposed changes would add sufficient funding to continue supporting hospital rates and make the assessment rate sustainable.

A representative of the Physician Hospital Association of Kansas, Inc. provided opponent testimony stating concerns about the distribution of funding and whether proposed changes would ensure the account would not be overspent.

The Senate Committee on February 26, 2020, amended the bill to prohibit the use of State General Funds to supplement hospital provider rates and require the Panel to report on the steps, if any, it had taken to ensure disbursements paid from the Fund are budget neutral to the State General Fund. The Senate Committee made further amendments to reflect technical changes. [*Note:* The Senate Committee amendments also reference a proviso in 2019 Appropriations Bill, House Sub. for SB 25, regarding KDHE's submission to the federal Centers for Medicare and Medicaid Services (CMS).]

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Kansas Hospital Association estimates that a 3.0 percent tax on 2016 inpatient and outpatient revenues would generate $381.5 million in total revenue, including $163.6 million of provider tax revenue. The fiscal note indicates that in one year, HCAIP program expenditures would be equal to revenues.